

Message Text

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PAGE 01 CAIRO 18453 071223Z
ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 L-03 EB-08 H-01 CIAE-00
INR-10 NSAE-00 SS-15 SP-02 NSC-05 /055 W
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FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 2344

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E.O. 11652: N/A
TAGS: EFIN
SUBJ: INCOME TAX TREATY

REF: CAIRO 17347

1. FOLLOWING ARE OPERATIVE PARAGRAPHS OF LETTER
DATED AUGUST 2, 1978 CONCERNING CHANGES IN EGYPTIAN TAX
LAW (REFTEL). LETTER, SIGNED BY MINFIN UNDERSECRETARY
FOR TAXATION METAWI AND MINFIN TAX RESEARCH DIRECTOR
BAROUDI, BEING POUCHED NEA/EGY FOR TRANSMITTAL TO
TREASURY.

2. QUOTE

I BEG TO INFORM YOU CONFIRMING OUR UNDERSTANDING IN THE
MEETING HELD IN MY OFFICE, THAT ACCORDING TO ARTICLE 16
OF LAW NO. 43 OF 1974 CONCERNING THE INVESTMENT OF ARAB
AND FOREIGN FUNDS AND THE FREE ZONES, AS AMENDED BY
LAW NO. 32 OF 1977 THE PREVENTION OF EXEMPTION HAS BEEN
SOLELY APPLYING TO THE GENERAL INCOME TAX ON INCOME NOT
TO SCHEDULAR TAXES ON INCOME. THE GENERAL TAX ON INCOME
APPLIES ONLY TO INDIVIDUALS WHOSE NET ANNUAL INCOMES
EXCEED L.E. 1200. HENCE, THE EXEMPTION FROM THE GENERAL
TAX ON INCOME IS CONDITIONED UPON SUCH INCOME NOT
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BEING SUBJECT TO SIMILAR TAXATION IN THE INVESTORS' HOME
COUNTRY OR IN THE COUNTRY TO WHICH INCOME IS TRANS-
FERRED, AS THE CASE MAY BE. ACCORDINGLY, I FULLY AGREE
WITH U. S. TREASURY'S VIEWS IN THIS RESPECT THAT WHEN
EXEMPTED PROFITS FROM SCHEDULAR TAXES IN EGYPT ARE
REMITTED AND DISTRIBUTED TO INDIVIDUALS THEY SHALL BE
SUBJECT IN EGYPT TO THE GENERAL INCOME TAX ON INCOME

AND NOT TO SCHEDULAR INCOME TAXES BECAUSE THEY ARE SUBJECT
IN U.S.A. TO THE INCOME TAX (SIMILAR TO THE GENERAL
INCOME TAX ON INCOME IN EGYPT). ON THE OTHER HAND, PROFITS
DUE TO AMERICAN CORPORATIONS FULLY ENJOY TAX HOLIDAY FROM
SCHEDULAR INCOME TAXES AS THEY ARE NOT SUBJECT TO THE
GENERAL INCOME TAX ON INCOME.

IN THIS REGARD, WE AFFIRM DISCUSSION TOOK PLACE AT
RECENT UNESCO-MEETING BETWEEN MR. BAROUDI, DIRECTOR
GENERAL OF TAX RESEARCHES DIVISION AND RESPONSIBLE FOR
DOUBLE TAXATION CONVENTIONS, TAXATION DEPARTMENT AND
MR. ROSENBLOOM, TREASURY, INTERNATIONAL TAX COUNSEL.
UNQUOTE

EILTS

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NNN

Message Attributes

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Draft Date: 07 aug 1978
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Decaption Note:
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TAGS: EFIN, EG, US
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